

**SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.
(A CALIFORNIA NON PROFIT CORPORATION)**

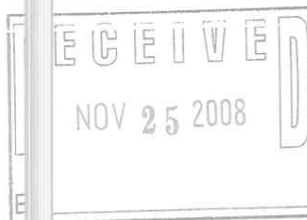
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

WITH COMPARISON TO THE YEAR ENDED JUNE 30, 2007

AND INDEPENDENT AUDITORS' REPORT

DATE RECEIVED:



AUDIT REVIEW #(s) 04326

Assigned To: Armstrong

Date Reviewed: 11/23/08

Reviewer's Initials: RD

Date Review(s) Completed: 11/23/08

**WALTER C. OTTO AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, INC.**

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1-2
Financial Statements for the Year Ended June 30, 2008, with Comparison to the Year Ended June 30, 2007	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-15
Supplemental Information for the Year Ended June 30, 2008	
Schedule of Expenditures of Federal Awards	16-19
Note to Schedule of Expenditures of Federal Awards	20
Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance In Accordance with OMB Circular A-133	23-24
Schedule of Prior Findings and Questioned Costs	25
Schedule of Findings and Questioned Costs	26-29

WALTER C. OTTO AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, INC.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern California Alcohol
and Drug Programs, Inc.
Downey, California

We have audited the accompanying statements of financial position of Southern California Alcohol and Drug Programs, Inc., a California nonprofit corporation (the "Organization," or "SCADP"), as of June 30, 2008 and June 30, 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern California Alcohol and Drug Programs, Inc., as of June 30, 2008, and June 30, 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of Southern California Alcohol and Drug Programs, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

Walter C. Otto and Associates
Certified Public Accountants, Inc.

Board of Directors
Southern California Alcohol
and Drug Programs, Inc.

accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

We have also issued our report dated October 30, 2008, on compliance with requirements applicable to each major program and internal control over compliance in accordance with the standards of the United States Office of Management and Budget ("OMB"), Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The purpose of that report is as described in that report.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Southern California Alcohol and Drug Programs, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Walter C. Otto and Associates
Certified Public Accountants, Inc.

Walter C. Otto and Associates
Newport Beach, California
October 30, 2008

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

COMPARATIVE STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,647,979	\$ 1,789,430
Contracts Receivable	1,547,391	1,467,841
Accounts Receivable	133,726	134,066
Property and Equipment, Net of Depreciation	12,566,696	11,907,323
Unamortized Bond Costs	422,753	451,420
Other Assets	662,812	640,421
TOTAL ASSETS	\$ <u>16,981,358</u>	\$ <u>16,390,501</u>
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 126,462	\$ 100,207
Accrued Vacation and Payroll	254,288	265,914
Accrued Payroll Taxes	135,732	130,622
Notes Payable	8,816,117	8,573,946
Notes Payable Credit Line	-	
Notes Payable Deferred	<u>1,500,000</u>	<u>1,500,000</u>
TOTAL LIABILITIES	10,832,599	10,570,689
NET ASSETS		
Unrestricted	<u>6,148,759</u>	<u>5,819,812</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>16,981,358</u>	\$ <u>16,390,501</u>

See accompanying notes

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS		
Support		
Client Fees	\$ 1,731,842	\$ 1,671,896
Federal Government Contracts	8,929,214	10,154,542
Other Non Federal Contracts	1,034,162	319,648
Donations	364,676	292,765
Third Party Payments	1,820,031	1,586,827
Other	<u>3,857</u>	<u>4,688</u>
Total Support	13,883,783	14,030,366
Expenses		
Functional Expenses		
Residential Services	7,946,990	8,378,114
Community Services	4,076,548	3,708,492
Administration	<u>1,523,179</u>	<u>1,551,620</u>
Total Expenses	13,546,717	13,638,226
INCREASE IN NET ASSETS BEFORE OTHER INCOME AND EXPENSES	337,066	392,140
Other Income and Expenses		
Interest Income	17,971	38,010
Increase (Decrease) in Market Value of Investments	<u>(26,090)</u>	<u>(21,395)</u>
Total Other Income and Expenses	(8,120)	16,615
CHANGE IN UNRESTRICTED NET ASSETS	328,946	408,755
NET ASSETS, BEGINNING OF YEAR	<u>5,819,813</u>	<u>5,411,058</u>
NET ASSETS, END OF YEAR	\$ <u>6,148,759</u>	\$ <u>5,819,813</u>

See accompanying notes

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007

	RESIDENTIAL SERVICES	COMMUNITY SERVICES	ADMINISTRATIVE SERVICES	TOTAL FUNCTIONAL EXPENSES 2008	TOTAL FUNCTIONAL EXPENSES 2007
Salaries, Wages, and Benefits	\$ 4,885,781	2,297,489	943,477	8,126,748	\$ 8,422,819
Payroll Taxes	416,877	197,840	91,854	706,571	562,497
Total Salaries and Related Expenses	5,302,658	2,495,329	1,035,331	8,833,319	8,985,316
Auto and Equipment Leases	47,670	35,921	28,209	111,800	101,439
Bond Amortization	-	3,000	25,667	28,667	25,000
Conferences, Workshops, and Meetings	10,408	11,561	8,738	30,707	41,410
Depreciation	151,000	46,500	17,015	214,515	171,596
Films and Literature	6,654	2,039	1,648	10,341	14,339
Food Purchases	433,897	67,764	2,720	504,381	505,173
Furniture and Equipment, Low Value	52,811	9,020	5,469	67,300	64,911
Government Fees	36,765	56,673	-	93,438	43,792
Housekeeping	121,826	58,867	7,634	188,327	212,608
Interest Expense	318,503	153,911	26,641	499,055	433,331
Office Supplies	65,281	55,585	37,021	157,887	176,296
Other	79,149	73,642	76,792	229,583	252,655
Postage and Printing	22,359	25,338	14,723	62,419	47,653
Professional Fees	120,473	175,116	90,373	385,962	477,367
Rent	434,164	270,774	15,456	720,393	689,862
Repairs and Maintenance	321,106	193,258	81,039	595,402	544,169
Travel Costs	24,108	22,943	17,048	64,098	62,526
Utilities and Telephone	389,189	250,308	19,117	658,614	613,530
Total Functional Expenses	\$ 7,946,990	4,076,548	1,523,179	\$ 13,546,717	\$ 13,638,227

See accompanying notes

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 328,946	\$ 408,755
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	214,515	171,596
Unamortized Bond Cost	28,667	26,668
(Increase) Decrease in:	-	-
Contracts Receivable	(79,550)	349,161
Accounts Receivable	340	(16,007)
Other Assets	(22,391)	3,995
Increase (Decrease) in:	-	-
Accounts Payable and Accrued Expense	26,255	(60,229)
Accrued Compensation and Vacation Pay	(11,626)	121,641
Accrued Payroll Taxes	5,110	122,346
Note Payable Credit Line	-	(64,500)
Net Cash Provided by Operating Activities	<u>490,265</u>	<u>1,063,424</u>
Cash Flows Provided by (Used In) Investing Activities		
Buildings, Property, and Equipment	(873,887)	(1,860,708)
Cash Flows From Financing Activities		
Notes Payable - Paid	(399,687)	(425,714)
Notes Payable - Increase	641,858	1,531,068
Net Increase (Decrease) in Cash	\$ (141,451)	\$ 308,070
Cash and Cash Equivalents, beginning of year	<u>1,789,430</u>	<u>1,481,360</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,647,979</u>	<u>\$ 1,789,430</u>
Supplemental Disclosure		
Cash paid during the year for interest	\$ <u>499,055</u>	\$ <u>433,331</u>
Cash expensed during the year for capital leases	\$ <u>111,800</u>	\$ <u>100,013</u>

See accompanying notes

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JULY 30, 2008 AND 2007

ORGANIZATION AND GENERAL

Southern California Alcohol and Drug Programs, Inc. (the "Organization"), is a nonprofit organization incorporated under the laws of the State of California on July 27, 1972.

Purpose

The Organization operates various programs which provide information, residency, counseling, instruction and referral services to the general public in Los Angeles and Orange counties, California, with regard to alcoholism, drug, and HIV related problems.

Southern California Alcohol and Drug Programs, Inc., provides services to individuals and families with alcohol and drug dependency problems, homeless individuals, battered women, the deaf and hard of hearing, pregnant and parenting women, Latino families, persons with HIV and AIDS, high risk boys and girls, and American Indian women and their children. The services provided are residential treatment programs, domestic violence shelters, counseling, information and referrals, educational treatment, drinking and driving diversion programs, community outreach, managed care, HIV testing, and mental health services. These programs are provided by a staff of over 330 trained employees at 25 locations in Los Angeles and Orange counties.

Contracts

Southern California Alcohol and Drug Programs, Inc., operates certain programs under contract with Los Angeles and Orange counties which provide reimbursement up to a fixed maximum for the cost of contract services performed. It has been the Organization's experience that these contracts have been renewed and it is expected that these contracts will continue to be renewed in the future. Southern California Alcohol and Drug Programs, Inc., is also awarded specific purpose grants. Revenue is earned and classified as unrestricted when the related reimbursable costs are incurred. These programs are subject to review and audit by government agencies. Such audits may lead to requests for repayment for expenditures disallowed or payment in excess of allowable expenditures under the contracts. Management believes that the Organization has properly complied with the terms of all government contracts.

Donated Use of Space

The estimated value of the lease donated by Metropolitan State Hospital is \$279,000 annually. The actual lease payments are month to month at \$8,148, or \$97,776 annually.

Contributions

The Organization recognizes contributions when received. There are no unconditional promises to give or restricted donations.

No significant expenses for fundraising activities are incurred by the Organization nor does the Organization avail itself of the services of a professional fundraiser. Consequently, no expenditures for fundraising are reflected in the statement of functional expenses.

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

ORGANIZATION AND GENERAL, continued

Volunteers

A number of volunteers have made contributions of time to support the functions of the Organization. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Retirement Plan

The Organization has adopted a 403(b) Retirement Plan also known as a Tax Shelter Annuity. Employees may contribute up to \$15,000 for the year 2007, and \$15,000 for the year 2008. Vesting is 100 percent. To be eligible, an employee must have 2 years of service with the Organization and have attained the age of 18. The plan is elective on the part of the employee. There is a discretionary contribution equal to a uniform percentage of the amount of salary reduction elected by the employee which is determined by the Organization each year. The current matching contribution by the Organization is three percent of the employee's salary. Employees who work less than 20 hours per week are not eligible. The complete plan description is available to employees upon request. The funding vehicle used to hold contributions made to the plan is an annuity contract issued by an insurance company and a custodial account. Employer contributions were \$57,307 for the year 2008, and \$61,269 for the year 2007.

Income Taxes

Southern California Alcohol and Drug Programs, Inc., is exempt from federal income taxes under section 501(c)(3), and from California franchise taxes under code section 23701(b).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southern California Alcohol and Drug Programs, Inc., follows the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations, which are in conformity with recommendations of the American Institute of Certified Public Accountants. Accordingly, the financial statements are stated on the accrual basis in conformity with accounting principles generally accepted in the United States of America.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the following estimated useful lives:

Vehicles	5 years
Buildings	3 years
Furniture and equipment	3 to 10 years
Leasehold improvements	Shorter of useful life or term of lease

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cost Allocations

Indirect costs are allocated to the cost objectives on the basis of program wages and salaries, or on the basis of square footage, whichever is applicable to the cost.

CASH AND CASH EQUIVALENTS

	2008	2007
Unrestricted:		
Cash Available for Operations:		
Cash in Banks	\$ 413,377	\$ 245,299
Petty Cash	4,700	4,700
Cash Equivalents	314,230	719,242
	<u>732,307</u>	<u>969,241</u>
Cash Designated for Payment of Long-Term Notes:		
U.S. Bank Corporate Trust	915,672	820,189
Total Cash and Cash Equivalents	\$ <u>1,647,979</u>	\$ <u>1,789,430</u>

Separate cash accounts are maintained in US Bank Trust Company as required by the bond indenture for the purpose of paying principal and interest on the mortgage notes payable.

Southern California Alcohol and Drug Programs, Inc., considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

In the course of a year, the cash will exceed the amount insured by the Federal Deposit Insurance Company.

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

CONTRACTS RECEIVABLE

Contracts receivable in the amount of \$1,547,390 as of June 30, 2008, and \$1,467,841 as of June 30, 2007, are due from various government agencies relating to contract services rendered and are considered current.

ACCOUNTS RECEIVABLE

Accounts receivable in the amount of \$133,726 as of June 30, 2008, and \$134,066 as of June 30, 2007, are due from individuals attending various programs operated by Southern California Alcohol and Drug Programs, Inc. Accounts receivable are reported at net realizable value after a deduction of thirty percent as an allowance for uncollectible accounts. The Organization does not believe any additional allowance is necessary.

RELATED PARTY

Awakening Village Apartments is a subsidiary nonprofit public benefit corporation, exempt from federal income taxes under IRS code section 501(c)(3), and from California franchise taxes under code section 23701(b). It was incorporated December 14, 2001, under the laws of the State of California. Its purpose is to provide handicapped persons with housing facilities and services. Southern California Alcohol and Drug Programs, Inc., is the sponsor of Awakening Village Apartments. The two corporations have a common board of directors.

PROPERTY AND EQUIPMENT

	2008	2007
Land and Buildings	\$ 13,596,093	\$ 12,893,784
Furniture and Equipment	1,508,819	1,336,876
Leasehold Improvements	310,664	319,654
Vehicles	296,470	287,843
Total Property and Equipment	15,712,046	14,838,157
Less Accumulated Depreciation	3,145,350	2,930,834
Net Property and Equipment	<u>\$ 12,566,696</u>	<u>\$ 11,907,323</u>

CREDIT LINE

The Organization has a revolving credit line with Bank of the West. The agreement, dated April 1, 2008, expires April 1, 2009. The maximum amount available on the line is \$1,000,000 as of June 30, 2008, and \$1,500,000 as of June 30, 2007. Interest is at 5.750 percent per year as of June 30, 2008, and at 9.0 percent per year as of June 30, 2007. The remaining credit available on the line was \$1,000,000 as of June 30, 2008, and \$1,500,000 as of June 30, 2007.

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTES PAYABLE, DEFERRED

2008

2007

An agreement was made with the State of California, Emergency Housing and Assistance Program, to provide funding in the amount of \$500,000 for the purchase of property and is secured by the property. The loan has no interest charges. Repayment of the loan is deferred as long as the development is used as an emergency shelter, a transitional housing facility. The term of the loan is ten years at which time the outstanding balance shall be forgiven.

\$ 500,000 \$ 500,000

On July 1, 2004, an agreement was entered into with the State of California, Department of Housing and Community Development, in the amount of \$1,000,000 for the purchase of real property. Originally, the funds were required to be used within a 24 month period with a 12 month extension. The note is for a ten year period at 3 percent interest per year. Repayment of the loan is to be deferred as long as the property is used as an emergency shelter; at the completion of the initial term the loan will be forgiven.

\$ 1,000,000 \$ 1,000,000

TOTAL DEFERRED \$ 1,500,000 \$ 1,500,000

AGREEMENTS

An agreement was made on August 31, 2005, with the State of California, Department of Housing & Community Development, in the amount of \$674,000. Interest is at 3 percent simple. Repayments of the loan shall be deferred as long as the property is used as an emergency shelter, a transitional housing facility. The term of the loan is seven years and is secured by real estate. The loan shall be forgiven at the end of the seven year term.

\$ 641,858 \$

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTES PAYABLE

	2008	2007
Notes Payable to Christos and Mary Smyrniotis dated April 10, 2006, in the amount of \$550,000 due on July 10, 2016. Interest is at 8.75 percent per year. Monthly payments are \$5,497 principal and interest. Secured by real estate.	\$ 511,165	\$ 531,428
Note payable to Bank of the West. Entered into on March 31, 2004, in the original amount of \$700,000 with monthly payments of \$3,889 principal plus interest. The loan is due March 1, 2019. Interest is at 2.5 percent over the bank's cost of funds. Current interest is at 5.51 percent. Secured by real property.	\$ 513,328	\$ 556,107
Note payable to Bank of the West, dated October 2, 2002 in the original amount of \$675,000. Principal payments of \$3,750 plus interest beginning December 1, 2002, and continuing monthly until October 17, 2017. Interest is at 2.5 percent over the bank's cost of funds. Current interest is at 6.05 percent. Secured by real property.	\$ 420,656	\$ 461,816
California Health Facilities Financing Authority Insured Revenue Bonds 2005 Levies A. The original amount is \$1,885,000 at 3 percent per year in 2006. Increasing to 3.875 percent in the fiscal year of 2015. The bonds are secured by gross revenue and the Organization's assets.	\$ 1,687,500	\$ 1,772,500
<u>Certificates of Participation</u> California Health Facility Financing Authority Insured Health Facility Revenue Bonds, 1997 Series A. Certificates are due December 1, 2022. The original principal balance was \$4,095,000. Terms stipulate interest and principal payments of \$26,543 per month. Interest is at 5.50 percent per year. The bonds are secured by gross revenue and the organization's assets.	\$ 2,882,194	\$ 3,007,194

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTES PAYABLE, Continued

	2008	2007
Note payable to Bank of the West entered into on February 28, 2006, in the original amount of \$825,000 with monthly payments of \$7,501 principal and interest, for 171 months. The loan matures March 31, 2021. Interest is at 7.070 percent. Secured by real property.	\$ 754,090	\$ 789,575
California Health Facilities Financing Authority Insured Health Facility Revenue Bonds, 2001 Series A. A twenty-five year mortgage note payable, issued May 1, 2001, matures May 1, 2026. The interest rate for the first year was 3.35 percent, which increases each year at a variable rate to 5.45 percent in 2026. Interest and principal payments are \$10,814 per month. The original principal balance was \$1,780,000. The bonds are secured by gross revenue and the organization's assets.	\$ 1,405,326	\$ 1,455,326
Total Notes Payable	\$ 8,816,117	\$ 8,573,946

Principal payments for the years ended June 30 are as follows:

2009	458,183
2010	465,196
2011	472,394
2012	479,792
2013	487,405
Thereafter	6,453,147
Total	\$ 8,816,117

Under the terms of the loan agreements, the Organization is required to maintain certain minimum financial ratios in connection with the long-term debt. The debt service ratio requirement is that net income available equals at a minimum 100 percent of debt service average. The Program has met these requirements and is in compliance with the terms of the bond issues.

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

OPERATING LEASES

Description of Leasing Arrangements

The Organization conducts a part of its operations from eleven leased facilities, which include residential properties and office space. These leases are classified as operating leases. Seven have lease terms of 1 to 3 years with options to renew, and four leases have month-to-month terms.

The Organization leases passenger vans, other transportation equipment, and copy machines under operating leases that expire during the next four years. In most cases, management expects that, in the normal course of business, leases will be renewed or replaced with other leases.

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year, as of June 30, 2008:

2009	\$ 36,953
2010	15,215
2011	<u>8,504</u>
Total minimum payments	\$ <u>60,672</u>

REAL PROPERTY LEASE OBLIGATION

2009	\$ 289,065
2010	246,576
2011	84,400
2012	<u>20,400</u>
Total	\$ <u>640,441</u>

ADVERTISING COSTS

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received.

Advertising expense was \$3,501 for the year 2007 and \$3,196 for the year 2008.

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. Commercial insurance is carried by the Organization for these risks.

CONTINGENCIES

Litigation

A lawsuit was filed by an employee, Maria Penaloza, in the Supreme Court of the State of California, County of Los Angeles, on July 7, 2006, alleging discrimination and wrongful termination. A mutual release agreement was entered into effective on August 1, 2007, between Maria Penaloza and Southern California Alcohol and Drug Programs Inc. The terms of this settlement are \$51,302 paid to Maria Penaloza and \$28,698 to her attorney, for a total of \$80,000.

ASSET IMPAIRMENT

Long-lived assets are measured at the lower of carrying amount or fair value less cost to sell and require that one accounting method be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. For long-lived assets to be held and used, an impairment loss will be recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The fair value is determined based on discounted cash flows or appraised values depending on the nature of the asset.

Management periodically reviews such assets for possible impairment and expected losses, if any, are currently recorded. During the years ended June 30, 2008 and 2007, no impairment losses were incurred.

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.
SCHEDULE OF EXPENDITURES FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

FEDERAL GRANTOR/ PASS-THROUGH/PROGRAM TITLE	CFDA/ Numb	Federal Expenditures DETAIL	Federal Expenditures TOTAL
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Los Angeles County Department of Health</u>			
<u>Services, Alcohol and Drug Program Administration</u>			
Drug-Free Residential Hearing Impaired, Women and Children Contract Number: H702305	93.9	\$ 914,185	
Cal Works Outpatient Residential Drug-Free Services Contract Number: H702307 A, B	93.9	833,181	
General Relief Project Outpatient Drug-Free Services Contract Number: H702302 A, B	93.9	68,932	
Outpatient Drug-Free Counseling and Drug Abuse Residential Services-Proposition 36 Contract Number: PH000145 A,B,C,D	93.9	826,544	
Alcohol and Drug-Free Residential Services Women's Residential Services Contract Number: H701352 A	93.9	543,612	
Alcohol Drug-Free Counseling- Medical Contract Number: H701355 A, B, C	93.9	1,030,790	
Outpatient Drug Court Treatment Contract Number: H702291	93.9	752,807	
Prison Project Network Contract Number: H000154 A, B, C	93.9	<u>207,673</u>	
Subtotal: CFDA Number- 93.959 (Los Angeles County)			5,177,724 *
<u>Orange County Department of Health Services</u>			
<u>Alcohol and Drug Program Administration</u>			
County of Orange, Children and Family Commission Transitional Housing, Mothers and Pregnant Women, Medical, Proposition 36 - No Contract Number	93.95	\$ 114,525	
Children and Families Commission of Orange County Residential- Heritage House, Cottages Contract Number: 062-B-0	93.95	130,500	
County of Orange, Health Care Agency Residential Treatment Center-Alcohol and Drug Abuse for Women and Children- No Contract Number	93.95	<u>1,384,949</u>	
Subtotal: CFDA Number 93.959 (Orange County)			1,629,974 *

SOUTHERN CALIFORNIA ALCOHOL &
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED

DRUG PROGRAMS, INC.
FEDERAL AWARDS
NE 30, 2008

<u>FEDERAL GRANTOR/ PASS-THROUGH/PROGRAM TITLE</u>	<u>CFD/ Numb</u>	<u>Federal Expenditures DETAIL</u>	<u>Federal Expenditures TOTAL</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<u>Los Angeles Homeless Services</u>			
City of Los Angeles Homeless Services Authority, Los Angeles Area Homeless Initiative Contract			
Contract Number: CA16B400103	14.2	\$ 167,195	
Contract Number: 48217 CSS	14.2	164,575	
HUD Direct- Supportive Housing			
Contract Number: CA16B900-002	14.2	732,226	
Subtotal: US Department of Housing and Urban Development			1,063,996 *
<u>State of California</u>			
Office of Criminal Justice			
Domestic Violence	16.5	\$ 184,250	
Contract Number: DRO1011774			
Department of Health and Human Services	14.2	221,522	
Maternal, Child and Adolescent Health			
Contract Number: 00-90699			
Federal Emergency Shelter Program			
Contract Number: FESG-2891	14.2	<u>94,333</u>	
Subtotal: State of California			500,105
<u>United States Department of Justice</u>			
Office of Violence Against Women	42-USC-1397	\$ <u>93,075</u>	
Contract Number: 2005-WH-AX-0008			
Subtotal: US Department Of Justice			93,075
<u>City of Los Angeles</u>			
Community Development Department			
Domestic Violence Shelter	14.2	\$ 179,871	
Contract Number: 101123			
Co-occurrence Disorder			
HIV Mental Health Services	14.2	15,000	
Contract Number: 5-479SM53781-05			
Los Angeles Homeless Services Authority HUD Funded			
Transitional Housing	14.2	81,402	
Contract Number 2002DBG29			
Housing Opportunities for Persons with AIDS			
Emergency Shelter and Transitional Housing	14.2	<u>124,000</u>	
Contract Number: 106695-2			
Subtotal : City of Los Angeles			400,273

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.
SCHEDULE OF EXPENDITURES FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

FEDERAL GRANTOR/ PASS-THROUGH/PROGRAM TITLE	CFD/ Numb	Federal Expenditures DETAIL	Federal Expenditures TOTAL
<u>US Department of Health and Human Services</u>			
<u>Substance Abuse and Mental Health Administration</u>			
US Department of Health & Human Services-- Public Health Services- -Treatment for Homeless Contract Number: T1H79-HMJ-AT	93.2	\$ 400,000	
Substance Abuse and Mental Health Services Administration HIV Positive Steps Residential Treatment Services Contract Number: 6P79T114480-05-1	93.2	125,000	
Substance Abuse and Mental Health Services Administration HIV/AIDS Services TCE Contract Number: 5H79T115805-05	93.2	500,000	
Women & Children Residential Treatment Services Baby Step Inn Contract Number: H29T11676603	93.2	125,000	
Youth and Family Services Adolescent Treatment Program Contract Number: H29T11776501	93.2	<u>300,000</u>	
Subtotal			1,450,000 *
<u>Los Angeles County Department of Health Services</u>			
<u>Alcohol and Drug Program Administration</u>			
Los Angeles County Community Senior Services and Domestic Violence Shelter Contract-Angel Step Inn Contract Number: 48304 - 48305	93.5	\$ 130,000	
Los Angeles County Community Senior Services Domestic Violence Shelter Contract Number: 702013A/B	93.5	121,773	
Los Angeles County Drug Residential and Non-Residential No Contract Number	93.5	<u>113,290</u>	
Subtotal			365,063

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>FEDERAL GRANTOR/ PASS-THROUGH/PROGRAM TITLE</u>	<u>CFD Number</u>	<u>Federal Expenditures DETAIL</u>	<u>Federal Expenditures TOTAL</u>
<u>City of Long Beach</u>			
Homeless & Emergency Shelter			
Contract Number:30359	14.2	\$ 45,500	
Subtotal: City of Long Beach			45,500
GRAND TOTAL: EXPENDITURES OF FEDERAL AWARDS			<u>10,725,710</u>

NOTE: * denotes major program. See Schedule of Findings and Questioned Costs.

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity of Southern California Alcohol and Drug Programs, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

WALTER C. OTTO AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, INC.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Southern California Alcohol
and Drug Programs, Inc.
Downey, California

We have audited the financial statements of Southern California Alcohol and Drug Programs, Inc. (the "Organization," or "SCADP"), the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Organization as and for the year ended June 30, 2008, and have issued our report thereon dated October 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

WALTER C. OTTO AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, INC.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and could not necessarily identify all deficiencies in internal control that might be significant weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Organization's Board of Directors and management, and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

Walter C. Otto and Associates
Certified Public Accountants, Inc.

Walter C. Otto and Associates
Newport Beach, California
October 30, 2008

WALTER C. OTTO AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, INC.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL AWARD PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Southern California Alcohol
and Drug Programs, Inc.
Downey, California

Compliance

We have audited the compliance of the Southern California Alcohol and Drug Programs, Inc. (the "Organization," or "SCADP"), with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2008. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the management of the Organization. Our responsibility is to express an opinion on compliance of the Organization based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of compliance of Southern California Alcohol and Drug Programs, Inc., with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Southern California Alcohol and Drug Programs, Inc., is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the

WALTER C. OTTO AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, INC.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL AWARD PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Organization's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the Organization's Board of Directors, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Walter C. Otto and Associates
Certified Public Accountants, Inc.

Walter C. Otto and Associates

Newport Beach, California
October 30, 2008

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Financial Statements

No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Southern California Alcohol and Drug Programs, Inc., for the year ended June 30, 2007.

No instances of non-compliance material to the financial statements of Southern California Alcohol and Drug Programs, Inc., were disclosed during the audit.

Federal Awards

No material weakness was identified relating to the internal control over major programs of Southern California Alcohol and Drug Programs, Inc., for the year ended June 30, 2007.

No reportable conditions were identified and no questioned costs were identified.

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

SUMMARY OF AUDITORS' RESULTS

Financial Statements

The auditors' report expresses an unqualified opinion on the financial statements of Southern California Alcohol and Drug Programs, Inc.

No reportable material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report of Southern California Alcohol and Drug Programs, Inc., for the year ended June 30, 2008.

No instances of non-compliance material to the financial statements of Southern California Alcohol and Drug Programs, Inc., were disclosed during the audit.

Federal Awards

Internal Control over major programs:

No material weaknesses, significant deficiencies or instances of noncompliance were identified relating to the internal control over major programs of Southern California Alcohol and Drug Programs, Inc.

No questioned costs were identified.

The audit report issued on compliance for major programs is unqualified.

Southern California Alcohol and Drug Programs, Inc., is considered a low-risk auditee.

The threshold for distinguishing between Type A and B programs is \$500,000.

Major Programs

Los Angeles County Department of Health Services,
Alcohol and Drug Program Administration

Drug-Free Residential
Hearing Impaired, Women and Children
Contract Number: H702305

Cal Works Outpatient Residential
Drug-Free Services
Contract Number: H702307 A, B

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

SUMMARY OF AUDITORS' RESULTS (continued)
Major Programs (continued)

Los Angeles County Department of Health Services,
Alcohol and Drug Program Administration (continued)

General Relief Project Outpatient Drug-Free Services
Contract Number: H702302 A, B

Outpatient Drug-Free Counseling and Drug Abuse
Residential Services – Proposition 36
Contract Number: PH000145 A, B, C, D

Alcohol and Drug-Free Residential Services
Women's Residential Services
Contract Number: H701352 A

Alcohol Drug-Free Counseling - Medical
Contract Number: H701355 A, B, C

Outpatient Drug Court Treatment
Contract Number: H702291

Prison Project Network
Contract Number: H000154 A, B, C

Total Los Angeles County Department of Health Services –
CFDA Number 93.959

\$ 5,177,724

Orange County Department of Health Services,
Alcohol and Drug Administration

County of Orange, Children and Family Commission
Transitional Housing, Mothers and Pregnant Women,
Medical, Proposition 36
Contract Number: (None Assigned)

Children and Families Commission of Orange County
Residential – Heritage House, Cottages
Contract Number: 062-B-0

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

SUMMARY OF AUDITORS' RESULTS (continued)
Major Programs (continued)

Orange County Department of Health Services,
Alcohol and Drug Program Administration (continued)

County of Orange, Health Care Agency
Residential Treatment Center
Alcohol and Drug Abuse for Women and Children
Contract Number: (None Assigned)

**Total Orange County Dept. of Health and Human Services –
CFDA Number 93.959**

\$ 1,629,974

US Department of Health and Human Services
Substance Abuse and Mental Health Administration

Public Health Services – Treatment for Homeless
Contract Number: T1H79-HMJ-AT

Substance Abuse and Mental Health Services Administration
HIV Positive Steps Residential Treatment Services
Contract Number: 6P79T114480-05-1

Substance Abuse and Mental Health Services Administration
HIV/AIDS Services TCE
Contract Number: 5H79T115805-05

Women and Children Residential Treatment Services
Baby Step Inn
Contract Number: H29T11676603

Youth and Family Services
Adolescent Treatment Program
Contract Number: H29T11776501

Total CFDA Number 93.243 and 93.230

\$ 1,450,000

SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

SUMMARY OF AUDITORS' RESULTS (continued)
Major Programs (continued)

U. S. Department of Housing and Urban Development,
Los Angeles Homeless Services

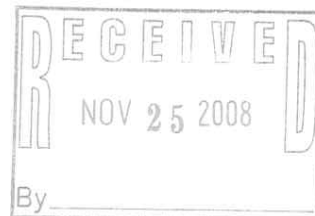
City of Los Angeles Homeless Services Authority
Los Angeles Area Homeless Initiative Contract
Contract Number: CA16B400103 and 48217CS

HUD Direct – Supportive Housing
Contract Number: CA16B900-002

Total CFDA Number: 14.235

\$ 1,063,996

NOVEMBER 21, 2008



Administration Offices

- ☐ 11500 Paramount Boulevard
Downey, CA 90241
(562) 923-4545/Fax (562) 862-0918

Residential Programs

- ☐ Awakenings Residential Program
For Deaf & Hard of Hearing Persons
(562) 947-4833 TDD
(562) 947-3835 Voice
- ☐ Angel Step Inn
Domestic Violence Emergency Shelters
(323) 780-HELP Hotline
(323) 780-7285 Business
(562) 944-6144 Hotline
(562) 941-6855 Business
- ☐ Angel Step Two Transitional Shelter
(562) 461-9272
- ☐ For Women & Children Baby Step Inn
For Pregnant and Parenting Women
(562) 986-5525
- ☐ Bud & Marcie House
(562) 944-6263
- ☐ Casa Libre Supportive Housing Program
(323) 269-6901
- ☐ CIDER House for Men
(562) 864-7724
- ☐ Foley House for Women and Children
(562) 944-7953
- ☐ Heritage House for Women and Children
(949) 646-2271
- ☐ Heritage House North
(714) 687-0077
- ☐ Heritage House Village & Cottages
(714) 999-5960
- ☐ La Casita for Women and Children
(562) 622-2268
- ☐ Long Beach Residential
(562) 435-4771
- ☐ Positive Steps HIV/AIDS Services
(562) 923-7894

Outpatient Programs

- ☐ Angel Step Inn Walk-in Resource Center
(562) 949-5358
- ☐ Awakenings Outpatient Program
(562) 947-4833 TDD
(562) 947-3835 Voice
- ☐ Casa Libre for Latino Families
(562) 927-1656
- ☐ Drug and Alcohol Counseling Services
(562) 923-4545
- ☐ Dual Diagnosis Division
(652) 923-4545
- ☐ Heritage House Center
(714) 799-7766
- ☐ Paramount Counseling Services
(562) 272-4004
- ☐ Shelter Plus Care Permanent Housing
(562) 622-9922
- ☐ Southeast Regional Drug Court
(562) 862-9766
- ☐ The Next Step Vocational Services
(562) 923-4545
- ☐ Youth & Family Services
(562) 923-4545
- ☐ The Women's Council
(562) 923-4545

Drinking Driver Programs

- ☐ Downey, CA
(562) 923-4545
- ☐ Cerritos, CA
(562) 402-2466

Executive Director / CEO

Lynne Appel, M.S., C.A.D.C.

Board of Directors: Officers

Chair: Dr. Marvin R. Matthews, Ed.D.
Vice Chair: Rick Lopez
Secretary: Gary Munger
Treasurer: Judith Edwards

MATTHEW SEE
CALIFORNIA OFFICE of EMERGENCY
3650 SCHRIVER AVE.
MATHER, CA 95655

DOCUMENT:

SOUTHERN CALIFORNIA ALCOHOL and
DRUG PROGRAMS, INC. - FINANCIAL
STATEMENT for the YEAR ENDED JUNE 30,
2008 - INDEPENDENT AUDITORS' REPORT

CONTRACT :

107071774

CONTRACT PERIOD:

7/1/2008 - 6/30/2009

ADDITIONAL:

POC:

ROBERT LARSEN, CFO
TEL (562) 923-4545 ext: 2236
FAX (562) 862-0918

☒ File ☐ Follow-up Letter & File
☐ Suspense

Audit Report Review Form

☒ Closed 12/23/08 Control # 04326

Subrecipient Name: Southern California Alcohol & Drug Programs,		
Grant Name: DV		
Date Received by OES: 11/25/08	Rec'd w/i 9 months? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Review Date: 12/23/08

Fiscal Year Ended: 06/30/08	
Grant # DV 07071774	
Review Performed By: Roni Armstrong	

SCO TRANSMITTAL LETTER

Did SCO identify any cross-cutting findings? ☐ Yes ☐ No
Did SCO refer any program-specific findings to OES? ☐ Yes ☐ No

☒ N/A
☐ SCO Letter Not Received

AUDIT THRESHOLD

Total OES-related award amount reported in audit <input type="checkbox"/> <\$25K <input checked="" type="checkbox"/> \$25-\$500K <input type="checkbox"/> >\$500K	Type of audit <input type="checkbox"/> FS
Federal award total reported in audit <input type="checkbox"/> <\$500 <input checked="" type="checkbox"/> =>\$500K <input type="checkbox"/> Not shown	Type of report <input type="checkbox"/> FS

report required
☒ Single Audit ☐ Grant-Specific
report received: ☐ FS ☒ SAR ☐ Grant-Specific
report appropriate? ☒ Yes ☐ No ☐ N/A

AUDIT QUALIFIERS – REQUIRED ITEMS

SINGLE AUDIT REPORTS	GRANT-SPECIFIC REPORTS / FINANCIAL STATEMENTS
Auditor's Report: <input type="checkbox"/> No report “...presents fairly the financial position... in conformity with generally accepted accounting principles” <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Report makes reference to separate reports on compliance & internal controls <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Auditor's Report: <input type="checkbox"/> No report Report describes scope of testing, e.g., “We have audited the...” <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not included “...audit conducted ... in conformity with generally accepted accounting principles” <input type="checkbox"/> Yes <input type="checkbox"/> No
Financial Statement: Report on internal control describes scope of testing, e.g., “We have audited the...” <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not included Report includes a statement that report complies with: <input type="checkbox"/> GAS <input type="checkbox"/> GAGAS <input checked="" type="checkbox"/> GAS or GAGAS and GAAS <input type="checkbox"/> No Statement (for public accountants)	Report includes language: “schedule [financial statement/grant statement] presents fairly...the status of funds & related expenditures [financial operations] of the [selected grants].” <input type="checkbox"/> Yes <input type="checkbox"/> No Report makes reference to separate reports on compliance & internal controls <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No letter
Major Programs: Report includes an opinion (or disclaimer) that report complies with laws, regulations & provisions of contracts or grant agreements <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Report includes language: “schedule of expenditures of federal awards is presented fairly... in relation to the financial statement taken as a whole.” <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Report on Compliance & Internal Controls: Report on internal control describes scope of testing, e.g., “We have audited the...” <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not included Report includes a statement that report complies with: <input type="checkbox"/> GAS <input type="checkbox"/> GAGAS <input type="checkbox"/> GAS or GAGAS and GAAS <input type="checkbox"/> No Statement (for public accountants)
Report contains: Schedule of expenditures of federal awards by agency and pass-through entity <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Identifying CFDA # <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Statement that audit was conducted in accordance with OMB circular A-133 <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Notes describing significant accounting policies (review contents) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Prior year findings with status <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Report includes an opinion (or disclaimer) that report complies with laws, regulations & provisions of contracts or grant agreements La... audit program & handbook <input type="checkbox"/> Yes <input type="checkbox"/> No Report contains: Grant number (grant-specific) <input type="checkbox"/> Yes <input type="checkbox"/> No Audit period <input type="checkbox"/> Yes <input type="checkbox"/> No Notes describing significant accounting policies (review contents) <input type="checkbox"/> Yes <input type="checkbox"/> No Prior year findings with status <input type="checkbox"/> Yes <input type="checkbox"/> No

FINDINGS & QUESTIONED COSTS

What type of report was issued? (<input type="checkbox"/> No SAR – F/S & Federal Audit Clearinghouse data)	<input checked="" type="checkbox"/> Unqualified <input type="checkbox"/> Adverse <input type="checkbox"/> Modified
In the Internal Controls, were any material weaknesses identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
In the Internal Controls, were any significant deficiencies identified <i>not considered to be material weaknesses</i> ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Were there any instances of noncompliance ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Were there any audit findings disclosed that are required to be reported in accordance with A-133, Section .510(a) ?	
Were there any findings?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	Total number of findings: 0 # of findings related to OES: 0

Brief Summary of Findings

Financial Statement Findings: ☐ Findings not material to OES grants

Major Federal Program Findings: ☐ Findings not material to OES grants

(Findings should include: criteria/specific requirement upon which it is based; condition found; questioned costs; possible effects; and recommendations.)

Are there any unresolved prior year findings related to OES grants? ☐ Yes ☒ No ☐ Not shown
Comment:

If mentioned, was the Management Letter included with the report? ☐ Yes ☒ No ☐ N/A

CORRECTIVE ACTION PLAN

Corrective Action Plan CAP needed? CAP included with report?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A OES
CAP sufficient to resolve audit findings? CAP includes timeline for resolution?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
Follow-up actions to be taken:	<input type="checkbox"/> None <input type="checkbox"/> N/A <input type="checkbox"/> Request CAP <input type="checkbox"/> Request CAP revision <input type="checkbox"/> Other:

Financial Statements Specific Programs	Major Federal Programs
<input type="checkbox"/> Qualified <input type="checkbox"/> Disclaim <input type="checkbox"/> Not included	<input checked="" type="checkbox"/> Unqualified <input type="checkbox"/> Adverse <input type="checkbox"/> Modified
<input type="checkbox"/> Not included	<input type="checkbox"/> Qualified <input type="checkbox"/> Disclaim <input type="checkbox"/> Not included
<input type="checkbox"/> Not included	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not included
<input type="checkbox"/> Not included	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not included
<input type="checkbox"/> Not included	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not included
	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not included
No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
of findings: 0 related to OES: 0	Total number of findings: 0 # of findings related to OES: 0

d; condition found; questioned costs; possible effects; and

Yes ☒ No ☐ Not shown

Yes ☐ No ☒ N/A

REPORT CLOSEOUT / TRACKING

All audit requirements met?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
List deficiencies / other notes:	
Follow-up action required:	<input checked="" type="checkbox"/> None

Date entered into Audit Report Database: 12/23/08

By: RA

Disposition of Report: ☐ Discard report ☒ Keep report until: 10/11

Type of media: ☒ Paper ☐ CD